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NEAR EAST - AFRICA

3. Comment on the Iranian situation:

[redacted] The unexpectedly strong upsurge of popular and military reaction to Prime Minister Mossadeq's government has enabled the shah's supporters to take over control of Tehran and apparently of important parts of the country, including strategic Azerbaijan. Consolidation of power in Tehran, stronghold of Tudeh and Mossadeq supporters, makes it unlikely that the royalists will be seriously threatened by any opposition originating in the provinces. Indicative of the trend is the pledge of loyalty to the shah made by a leader of such an important tribal group as the Bakhtiari.

The Tudeh has been relatively inactive during the past day; however, it probably is the principal organized threat to Zahedi's government. With a royalist government in control, the Tudeh will undoubtedly be suppressed but will nevertheless remain the best organized, and potentially most troublesome opposition.

The success of a new government will depend to a great extent on its ability to improve rapidly Iran's financial and economic position. A conservative government probably could not reverse the oil nationalization because of popular sentiment. Likewise, a new government probably could not immediately attempt to reach a settlement with the British on terms more favorable than Mossadeq has offered.

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